

**ourgeois-Galloway, Hilda**

**From:** Votaw, Courtney  
**Sent:** Friday, August 17, 2001 8:59 AM  
**To:** Olson, Cindy  
**Cc:** Kean, Steven J.  
**Subject:** FW: Questions for Employee meeting

Cindy- below is Rick Causey's answer to the question regarding Raptor.

Thanks,  
 Courtney

-----Original Message-----

**From:** Clark, Mary  
**Sent:** Friday, August 17, 2001 8:57 AM  
**To:** Votaw, Courtney  
**Subject:** FW: Questions for Employee meeting

-----Original Message-----

**From:** Causey, Richard  
**Sent:** Wednesday, August 15, 2001 6:08 PM  
**To:** Clark, Mary  
**Cc:** Kean, Steven J.; Derrick Jr., James  
**Subject:** Questions for Employee meeting

Please see below for my responses to the two questions passed to me for tomorrow's meeting. *Shelton's concerns?*

Arthur Andersen Question:

Our outside auditors, Arthur Andersen, were not charged with any criminal offense. They did recently settle a lawsuit with the Securities and Exchange Commission regarding their audit of Waste Management for the years 1992 - 1996. The terms of the settlement included a \$7 million payment and certain disciplinary actions by the SEC. As a part of the settlement, Andersen neither admitted or denied guilt related to the SEC's claims. This audit was conducted by their Chicago office, NOT the Houston office of the Firm.

Unfortunately, in today's environment, every major accounting firm, just like every major corporation, has litigation with other parties, including regulatory bodies. We discussed this matter with Andersen and were convinced that there was nothing unusual about this case nor anything that would impact their audit of Enron. Additionally, as these sorts of actions are not rare, we concluded that continuing to use Andersen as our auditor in no way damaged our reputation. Management and the Audit Committee of the Board will continue to assess Andersen's performance on an annual basis.

Question regarding Raptor and Condor:

NOTE: I would not read this question. I would simply state that there was a question submitted regarding structured transactions and the use of contingent Enron equity (that is equity that might have to be issued in the future).

RESPONSE: We do from time to time use contingent Enron equity in transactions. However, to the extent that the current economics of such a transaction would imply that we would issue that equity in the future, we must count that equity as issued and outstanding currently. To state it more clearly, all transactions that use Enron equity currently or in the future are fully accounted for today. All future commitments have been considered and reflected in calculating earnings per share and shares outstanding today.

so it's b value now

BUT EVENTUALLY IT'S  
 WORTH \$500MM

IT COMES BACK TO ENR

BUT WHAT  
 ABOUT  
 THE  
 VALUE  
 LOSS  
 WE GAVE  
 THE SH'S  
 AWAY FOR  
 \$!!

FROM  
 CINDY TO  
 ME

MON.  
 8/20/01  
 9 AM

Wice mail from Cindy:  
 Here is what Ken Lay  
 got from Causey -  
 does this answer